

FISCAL NOTE

Bill #: SB0039

Title: Clarify taxation of insurance corporation taxable investment income

Primary

Sponsor: Jim Elliott

Status: As Introduced

| | | | |
|-------------------|------|-----------------|------|
| Sponsor signature | Date | Budget Director | Date |
|-------------------|------|-----------------|------|

Fiscal Summary

| | <u>FY2002 Difference</u> | | <u>FY2003 Difference</u> |
|--|------------------------------|--|------------------------------|
| Expenditures: | | | |
| General Fund | 0 | | 0 |
| Revenue: | | | |
| General Fund | \$2,942,000 | | \$3,010,000 |
| Net Impact on General Fund Balance: | \$2,942,000 | | \$3,010,000 |

| | | | | | |
|------------|-----------|----------------------------------|------------|-----------|-------------------------------|
| <u>Yes</u> | <u>No</u> | | <u>Yes</u> | <u>No</u> | |
| | X | Significant Local Gov. Impact | | X | Technical Concerns |
| | X | Included in the Executive Budget | | X | Significant Long-Term Impacts |

Fiscal Analysis

ASSUMPTIONS:

1. This bill will make investment income of insurance companies subject to the corporation license tax at a rate of 6.75%.
2. US investment income of insurance companies doing business in Montana was \$171 billion in 1999. (National Association of Insurance Commissioners)
3. For the corporation license tax, taxable income of insurance companies will be 25% of investment income. (Department of Revenue assumption)
4. For insurance companies doing business in Montana, premiums paid in Montana were 0.57 % of premiums paid nationwide in 1999. (National Association of Insurance Commissioners)

(continued)

Consequently, the sales factor for apportionment of insurance companies' investment income to Montana will be 0.57% on average.

5. The property factor and payroll factors for apportionment of insurance companies' investment income to Montana will both be 0.00%.
6. Investment income of insurance companies will grow at 2.3% per year. This is the average annual growth rate of premium income from 1993 to 2000.
7. Compliance in the first two years will be 50%. (Department of Revenue assumption)
8. This bill will have no administrative impacts.

FISCAL IMPACT:

| | <u>FY2000</u> <u>Difference</u> | <u>FY2001</u> <u>Difference</u> |
|--|------------------------------------|------------------------------------|
| <u>Revenues:</u> | | |
| General Fund (01) | \$2,942,000 | \$3,010,000 |
| State Special Revenue (02) | | |
| Federal Special Revenue (03) | | |
| Other | | |
| <u>Net Impact to Fund Balance (Revenue minus Expenditure):</u> | | |
| General Fund (01) | \$2,942,000 | \$3,010,000 |
| State Special Revenue (02) | | |
| Federal Special Revenue (03) | | |
| Other | | |

